

Message Text

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PAGE 01 KABUL 04965 200733Z
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C O N F I D E N T I A L KABUL 4965

E.O. 11652: GDS
TAGS: EAIR, AF
SUBJECT: PANAM/ARIANA RELATIONSHIP

REF: A) KABUL 4933; B) KABUL 4680; C) STATE 150275

1. SUMMARY: THIS MESSAGE URGES THAT A HIGH-LEVEL DEPARTMENT OFFICIAL REASSURE PANAM CHAIRMAN WILLIAM T. SEAWELL THAT PANAM'S JOINT VENTURE WITH ARIANA AFGHAN AIRLINES IS SUPPORTIVE OF U.S. INTERESTS IN AFGHANISTAN AND THAT THE DEPARTMENT HOPES THE RELATIONSHIP CAN BE CONTINUED. TWO VISITING PANAM VICE PRESIDENTS HAVE TOLD US THAT SUCH A MESSAGE TO PANAM'S CHIEF IS PROBABLY ESSENTIAL TO CONTINUE THE PANAM/ARIANA TIE. WE SUGGEST AMBASSADOR-DESIGNATE DUBS DISCUSS THIS INITIALLY WITH MR. RICE IN NEW YORK CITY. END SUMMARY.

2. DURING MEETING WITH CHARGE AND EMBOFFS JUNE 12, TWO VISITING PANAM VICE PRESIDENTS, ERSKINE RICE AND FRED AURELIO SAID THAT IF THE DEPARTMENT WISHED TO SEE THE PANAM/ARIANA TIE CONTINUED, IT WAS IMPORTANT THAT A HIGH OFFICIAL OF THE STATE DEPT. -- PREFERABLY AT THE ASSISTANT SECRETARY LEVEL -- SPEAK DIRECTLY TO PANAM CHAIRMAN SEAWELL. IN VIEW OF THE RECENT LEFTIST COUP D'ETAT, THE VICE PRESIDENTS SAID PANAM HAS RESERVATIONS ABOUT REMAINING IN THE JOINT VENTURE. AS THEY DESCRIBED IT, "FROM A COMPANY POINT OF VIEW, WE SEE OURSELVES BACK WHERE WE WERE 22 YEARS AGO, WHEN WE FIRST JOINED ARIANA AT THE REQUEST OF THE STATE DEPARTMENT."

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KABUL 04965 200733Z

3. I TOLD THE VICE PRESIDENTS THAT FROM A POLITICAL STANDPOINT, WE AT THE EMBASSY CONSIDERED CONTINUATION OF THE JOINT VENTURE (ARIANA 51 PERCENT; PANAM 49 PERCENT) DESIRABLE. I SAID I COULD NOT SPEAK TO THE BUSINESS/ECONOMIC ASPECTS OF THE RELATIONSHIP, BUT I UNDERSTOOD PANAM HAS BEEN EARNING SMALL DIVIDENDS THE LAST THREE YEARS AND, AS FAR AS I KNEW, HAD NEVER LOST MONEY ON THE VENTURE.

4. THE VICE PRESIDENTS SAID THAT BEFORE THE COUP OF APRIL 27, PANAM TOP MANAGEMENT HAD SERIOUSLY CONSIDERED TRYING TO PHASE OUT THE RELATIONSHIP. WHAT THEY HAD IN MIND PROPOSING TO THEIR AFGHAN PARTNERS

WAS A FIVE-YEAR PHASE-OUT SCHEDULE, WHEREBY PANAM'S EQUITY SHARES WOULD BE GRADUALLY SOLD TO ARIANA. THE PANAM BOARD MEETING THIS PAST WEEK, BUT DECIDED AGAINST IT.

5. WE AT THE EMBASSY BELIEVE THAT IT IS IN THE INTEREST OF THE U.S. AND PANAM FOR THE PARTNERSHIP TO CONTINUE. OUR REASONING IS BASED ON THE FOLLOWING:

A) THE NEW AFGHAN GOVERNMENT APPEARS GENUINELY TO WANT THE RELATIONSHIP TO CONTINUE. WERE PANAM TO LEAVE NOW, IT WOULD BE SEEN BY THE AFGHANS AS A NEGATIVE POLITICAL SIGNAL ON THE PART OF THE U.S. BEFORE THE ARRIVAL OF THE TWO VICE PRESIDENTS, THE EMBASSY MADE A PARTICULAR EFFORT TO ASCERTAIN THE NEW GOVERNMENT'S INTENTIONS TOWARD PANAM AND RECEIVED REPEATED POSITIVE ASSURANCES IN THIS REGARD. SIMILAR ASSURANCES WERE SUBSEQUENTLY GIVEN RICE AND AURELIO BY THE ARIANA BOARD CHAIRMAN, DR. MIR MEHRABUDDIN, WHO IS THE DEPUTY MINISTER OF FINANCE IN THE NEW GOVERNMENT.

B) PANAM'S INVOLVEMENT WITH ARIANA IS ONE OF AFGHANISTAN'S PRINCIPAL CONTACTS WITH THE U.S. -- CERTAINLY ITS LARGEST RELATIONSHIP WITH A PRIVATE AMERICAN ENTITY -- THE IMPORTANCE OF WHICH IS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KABUL 04965 200733Z

LIKELY TO INCREASE RATHER THAN DIMINISH.

C) FOR U.S. MISSION SUPPORT IN KABUL, ARIANA IS VITAL FOR TRANSPORT OF PERSONNEL, GOODS, AND MAIL -- OFFICIAL AND PRIVATE. PANAM PARTICIPATION IN THE AIRLINE PROVIDES TECHNICAL AND MANAGERIAL EXPERTISE NECESSARY FOR ITS RELIABILITY AND SAFETY WHICH ARIANA COULD NOT EASILY COME BY ELSEWHERE

D) FROM A PURELY BUSINESS STANDPOINT, ANY ATTEMPT NOW BY PANAM TO REDUCE ITS EQUITY HOLDING IN ARIANA WOULD LIKELY BE UNSUCCESSFUL. (IN A YEAR OR SO, THE CHANCES OF WITHDRAWING AND GETTING ITS EQUITY SHARE OUT MIGHT BE BETTER.) WITH ARIANA EVIDENTLY COMMITTED TO THE PURCHASE OF AN AMERICAN WIDE-BODY JET, IT IS UNLIKELY THAT THE AFGHAN GOVT. COULD BE PERSUADED TO USE ITS RESERVES TO BUY OUT PANAM'S SHARES AT THIS TIME. WERE PANAM TO INSIST ON SELLING OUT, THIS WOULD PROBABLY TORPEDO ARIANA'S BUYING AN AMERICAN AIRCRAFT AND OPEN THE POSSIBILITY OF A TIE WITH A SOVIET OR EASTERN EUROPEAN COUNTRY AIRLINE.

E) RICE INFORMS US THAT THE ARIANA BOARD HAS AGREED TO A DIVIDENT PAYMENT AGAINST THIS YEAR, ALBEIT ONLY FIFTY PERCENT OF LAST YEAR'S. THIS WILL MEAN THAT PANAM WILL RECEIVE SOMETHING ON THE ORDER OF

FIFTY THOUSAND DOLLARS. WHILE NOT A HUGE SUM, ITS ESTABLISHES THE
CONCEPT OF ANNUAL DIVIDENDS WITH THE NEW GOVERNMENT.

6. REQUEST: IN REFTEL C, AMBASSADOR-DESIGNATE DUBS INFORMED US
THAT HE HOPES TO VISIT ERSKINE RICE IN NEW YORK BEFORE COMING TO
KABUL. WE RECOMMEND THAT WHEN HE DOES SO, HE BE AUTHORIZED TO
CONVEY THE DEPARTMENT'S INTEREST IN PANAM MAINTAINING THE ARIANA
TIE. FURTHERMORE, AMBASSADOR-DESIGNATE DUBS MAY WISH TO ASCERTAIN
FROM RICE WHETHER FURTHER ASSURANCES AT A HIGHER LEVEL IN THE STATE
DEPT. ARE STILL NEEDED.
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